

Message Text

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ACTION EUR-25

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NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

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OPIC-12 LAB-06 SIL-01 DODE-00 PM-07 H-03 L-03 PA-04

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E.O. 11652: GDS

TAGS: BGEN ENRG UR

SUBJECT: SOVIET MINISTER DISCUSSES COOPERATION IN ENERGY AREA
AND CONSTRUCTION OF AMMONIA PLANTS

1. AT JAN 7 PULLMAN COMPANY RECEPTION, SOVIET MINISTER OF
CHEMICAL INDUSTRY KOSTANDOV AND VISITING PULLMAN CO. PRESIDENT
CASEY DISCUSSED POSSIBILITY OF COOPERATION IN BETTER UTILIZAT-
ION OF ENERGY RESOURCES. CASEY NOTED THAT PULLMAN DEVOTING
MAJOR PART OF CURRENT RESEARCH EFFORT TO COAL GASIFICATION
AND ASKED WHETHER SOVIETS ACTIVE IN THIS AREA. KOSTANDOV
CONFIRMED THAT COAL GASIFICATION WAS BEING GIVEN "MAJOR"
ATTENTION IN USSR AND WELCOMED POSSIBILITY OF SHARING INFORMAT-
ION IN THIS AREA WITH PULLMAN. HOWEVER, KOSTANDOV INDICATED
GREATER PERSONAL INTEREST IN PROBLEM WHICH SOVIETS ENCOUNTERING
IN UTILIZATION OF METHANE WHICH FOUND IN SUBSTANTIAL QUAN-
TITIES (FOUR TO NINE PERCENT) IN GAS PRODUCED IN ORENBURG,
TURKMEN, AND UGILSHOYE GAS FIELDS. UNDER CURRENT CONDITIONS,
SOVIETS UNABLE UTILIZE THIS METHANE, AND KOSTANDOV SUGGESTED
THAT JOINT EFFORTS IN THIS AREA (INVOLVING AS MUCH AS 30-60
BILLION CUBIC METERS OF GAS/YEAR) WOULD BE OF INTEREST.
CASEY AGREED, AND KOSTANDOV AND CASEY INFORMALLY AGREED THAT
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PULLMAN AND SOVIET SPECIALISTS WOULD BE IN CONTACT ON
THESE AND OTHER PROJECTS IN ENERGY AREA. KOSTANDOV CLOSED

THIS PART OF CONVERSATION WITH OBSERVATION THAT ENERGY CRISIS WAS "FACT OF LIFE FOR YOU (I.E., U.S.) TODAY AND FOR US TOMORROW."

2. KOSTANDOV PRESSED CASEY TO PRESENT SOONEST (I.E., IMMEDIATELY) FIRM PROPOSAL FOR CONSTRUCTION OF EIGHT 1500 TON-PER-DAY AMMONIA PLANTS WHICH SOVIET PLANNING CONSTRUCT IN ONE HUGE COMPLEX AT TOGLIATTI. (KOSTANDOV CLAIMED THAT THIS COMPLEX, WHICH WOULD INVOLVE TWO PARALLEL ROWS OF FOUR AMMONIA PLANTS ALONG "CORRIDOR" CONTAINING ALL SERVICE, POWER AND AUXILLARY UNITS, WOULD BE LARGEST IN WORLD. CASEY AGREED). CASEY SAID THAT PROPOSAL WITH FIRM PRICES INCLUDING "SMALL" ESCALATOR CLAUSE COULD NOT BE READY BEFORE MARCH, AND KOSTANDOV WARNED THAT THIS WOULD MEAN THAT PULLMAN'S KELLOGG SUBSIDIARY WOULD LOSE CONTRACT ON AT LEAST TWO OF EIGHT PLANTS. DEPMIN FOREIGN TRADE KOMAROV, WHO ALSO PARTICIPATING IN CONVERSATION, URGED KOSTANDOV TO BE PATIENT AND TOLD HIM THAT IN ANY CASE, COMPETING BIDS (UGINE-KUHLMANN WAS MENTIONED) COULD NOT BE READY BEFORE MARCH. (COMMENT: DOSTANDOV-KOMAROV DISCUSSION, WHICH UNUSUAL IN THAT IT TOOK PLACE IN PRESENCE OF EMBASSY OFFICER, PROVIDED INTERESTING INSIGHT INTO CONFLICTING INTERESTS OF SOVIET PRODUCTION MINISTRY, WHICH INTERESTED IN OBTAINING FOREIGN EQUIPMENT AS SOON AS POSSIBLE, AND MINISTRY OF FOREIGN TRADE, WHICH RESPONSIBLE FOR OBTAINING EQUIPMENT. END COMMENT) KOSTANDOV ENDED CONVERSATION BY URGING EMBASSY OFFICER TO PUT PRESSURE ON PULLMAN AND OTHER US FIRMS TO BE MORE FORTHCOMING. (COMMENT: CASEY SUBSEQUENTLY EXPLAINED THAT HE WAS CONFIDENT DEAL WOULD GO THROUGH BUT THAT MUCH DEPENDED UPON KOMAROV'S ABILITY TO COME UP WITH CERTAIN FINANCIAL GUARANTEES AND ADVANCE PAYMENTS. END COMMENT). SOMMERLATTE

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